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Office Memorandum • UNITED STATES GOVERNMENT

TO : Management Officer

FROM : Budget Officer

SUBJECT: Comments on Survey Report of the CIA Budget Staff

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The various recommendations involved in the subject report have been carefully considered by this office. Our comments are presented in response to the Management Report under the appropriate citation references set forth in the report.

Item 1.

General problem: Budget Staff man-year control card file.

Comment: During the interval since performance of the Management Survey the Budget Staff has engaged in a number of discussions with the Personnel Division, Administrative Staff, and Machine Methods Division, OCD, on the subject. The discussions so far have served to justify the following statements:

a. The Personnel Division records upon which position control is maintained cannot furnish the Budget Staff the information it requires.

b. For budgetary record purposes advices of personnel action in the case of some assignments must be improved to include more specific information as to the intent of the action. (Personnel Division concurs.)

c. There is a possibility that the Budget Staff requirement with regard to budget control card records can be satisfied by transfer of existing card records to machine accounting processing. Detailed problems of accomplishing this transfer are now being studied by the Budget Staff and Machine Methods Division. The Machine Methods Division will soon be in a position to furnish to the Budget Staff "dry runs" of the personnel information it requires. These test experiments will continue until such time as there is a general agreement as to whether or not existing card records in Budget Staff can be eliminated.

Item 2.

General problem: Allotments of funds to Offices and Staff Sections in smaller amounts than were provided in the Budget for operations during the fiscal year.

Comment: At the beginning of fiscal year 1950 partial allotments of funds were made by the Budget Staff to offices and staff sections for reasons directly attributable to the

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lateness of appropriation action. It is not expected that a similar situation will apply in the future but in any case corrective arrangements have been made by the Budget Staff which should prevent any confusion or misunderstanding. It is our present plan that allocations covering fiscal year 1951 will be made to Assistant Directors and Staff Chiefs shortly before 1 July. Such allocations will be made by memorandum from the Budget Officer to Assistant Directors and Staff Chiefs on the basis of "subject to availability of funds".

OK Advices of Allotment Authorization will be released after appropriation enactment and will be directly predicated on the allocation memorandum. It might be pointed out that despite the fact that a partial allotment of funds resulted in some awkwardness during the current fiscal year, the amount available for initial allotment was legally restricted in view of the fact that the Agency authority for initial operation was based on interim resolutions during the period July to September. Under normal circumstances not more than a "10%" reserve for contingencies will be withheld by the Budget Staff, unless it is obvious that funds included in the budget for a particular activity(s) are in excess of known requirements.

Item 3.

General problem: Release of Advice of Allotment Authorization on the basis of dividing the yearly figure into four quarterly amounts rather than upon a cumulative basis.

OK Comment: This matter was previously discussed with the Fiscal Division, Administrative Staff, and an agreement had been reached whereby the action recommended would be taken with regard to allotment advices issued during fiscal year 1951.

Item 4.

General problem: Revision of Report of Obligations and Expenditures by Object Classes, Form No. 34-12, to furnish obligation information to Assistant Directors and Staff Chiefs in a more convenient manner.

1948 Comment: The Budget Staff concurs in the fact that Form No. 34-12 will require revision on the basis of present allotment and control procedures as indicated by drafts of procedures which have been submitted to the Management Office for suggested incorporation within [] of the Manual of Agency Regulations. 25X1

At present the Budget Staff is developing revisions of not only the Form No. 34-12 but also the Advice of Allotment Authorization, Form No. 32-5 and Request for Change in Allotment, Form 32-7. - 1947

Under "Recommended Solution" the Management Office has indicated its feeling that Form 34-12 should not be issued more often than quarterly. Such an arrangement might be considered adequate for the smaller offices, however, the larger offices, which contain a number of highly active accounts, must receive

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obligation reports monthly if they are to have assurance that they are operating within available funds. Budget Staff analysts must receive monthly Statements of Obligations to enable them to perform their assigned responsibilities if they are to furnish adequate assistance and guidance to operating offices on fund problems.

Item 5.

General problem: Submission of Form No. 34-12 by Fiscal Division, Administrative Staff, directly to organizational units rather than through the Budget Staff.

Comment: The Budget Staff feels that the present arrangement should continue. Delivery through the Budget Staff affords the Budget analyst an additional opportunity to maintain necessary liaison with operating offices and to advise regarding any matters of import in connection with fund status.

Item 6.

General problem: Prevention of last minute rush in Budget presentation.

Comment: The Budget Staff feels that a paramount consideration under this subject is to obtain general agreement as to a deadline beyond which no budgetary additions or changes will be submitted for incorporation within the estimates. Last year the Budget Staff received information for incorporation within the budget document as late as the 14th of September. From 15 August to 14 September a number of changes were received by the Budget Staff which required the complete reworking of entire sections of the budget. In this connection it might also be mentioned that a change within a section after the presentation has been "shaped up" also requires revision in a number of recapitulation schedules, the overall spreadsheet and similar data. Accordingly, it is of the utmost importance that the Budget Staff be kept entirely free from such changes for a substantial period prior to 15 September.

Reference a. It is believed that the Budget Staff has made a substantial beginning toward the issuance of comprehensive Administrative Instructions by preparation of the various chapters already submitted to the Management Office for incorporation within the Agency Manual of Operating Procedures. It is the present intention to improve and extend these issuances during fiscal year 1951.

Reference b. The Budget Staff has in operation an analyst program which will provide additional budget information for operating offices which should result in a better understanding of budgeting and budget problems. In connection with quarterly analysis of funds which are now

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being prepared by Budget Analysts conferences are held with program operators at regular intervals on the complete budgetary status of their activities. There is reason to believe that the strength of the Budget Analyst Program Operator liaison program is improving daily. Subsequent to the release of the Call for Estimates a general conference will be held so there will be a complete understanding on the part of operating officials who will be expected to work up the detailed requirements expressed in the Call for Estimates.

Reference c. Same comment as above.

Reference d. Same comment as above,

Done
Reference e. The present plan is to release the Call for Estimates not later than 15 April with the requirement that agency estimates be transmitted to the Budget Officer on or before 1 June. This will provide operating offices six weeks for preparation prior to the due date of 1 June. This deadline will coincide with the requirement for submission to the Projects Review Committee of estimates covering unvouchered activities.

Reference f. Hearings will be held prior to final estimate preparation in accordance with the schedule prepared by the Budget Officer and transmitted to the Management Officer on 17 January 1950.

Item 7.

General problem: Review all PRC submissions prior to Committee hearings.

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Comment: The Budget Staff is in complete concurrence with this recommendation and has recently prepared at the request of the Management Office a suggested revision of Administrative Instruction Subject: "Projects", for incorporation within the Manual of Agency Regulations, which will require the PRC request to be submitted through the Budget Officer. This procedure will permit additional information to be made available to members of the PRC.

Item 8.

General problem: Issuance of one Advice of Allotment Authorization for the year for a given activity with changes required during the year being accomplished by a change slip in lieu of the issuance of revised Advices of Allotment Authorization.

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Comment: This office wishes to retain in substance the present system for the following reasons:

a. The information which would be included on this change slip would be almost identical to that which would be required if a revised Advice of Allotment Authorization were to be issued and such a change would result in the use of two forms where one now suffices.

b. At present it is intended that throughout the fiscal year 1951 budget analysts will prepare a quarterly analysis of funds covering the activities to which they are assigned. It is believed that this procedure will result in better budgetary planning and consequently reduce the number of changes required.

c. The Budget Staff at the present moment is engaged in a study to effect a reduction in the number of allotment accounts required for operating offices. It is believed that a reduction can be made in the number of allotment accounts through consolidation of those accounts which involve small amounts of money. This action will be effective in reducing the number of revisions necessary in Advices of Allotment Authorizations.

d. It is believed that on the basis of change slip usage there would be a greater possibility of error.

Miscellaneous:

Item 1: Object and sub-object classification study for possible improvement and for possible application of IBM Machine Methods for cost accounting purposes.

Comment: (a) Object classes of expenditure are prescribed by Budget-Treasury Regulation #1 and are standard for the U. S. Government. The present schedule of sub-object classifications is under study by the Budget Staff for consideration as to whether or not it can be improved.

(b) The Budget Staff does not have a definite reaction at this time as to the applicability of IBM machine methods for cost accounting purposes. It is believed that this matter may serve as a subject for future consideration in discussions with representatives of the Machine Methods Division, ODD and Fiscal Division, Administrative Staff.

Item 2: Budget-Management Survey coordination and follow-up

Comment: The Budget Staff feels that the arrangement of having Budget Staff analysts make follow ups on Management surveys is an appropriate and valuable Budget-Management arrangement. The plan is dependent upon very close liaison between both staffs and, accordingly, the Budget Staff will insure that there is complete

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agreement upon matters on which a follow up should be made before implementation by the budget analyst.

Item 3: Statement of functions for the Budget Staff and functional statements for the analyst and other personnel of the Budget Staff.

Comment: With regard to the statement of functions for the Budget Staff included in the survey report under Tab A, it is suggested that further consideration be given to clarification of some of the major responsibilities. The Budget Staff has prepared drafts covering functional statements for each employee within the Staff and it is anticipated that these will be ready for submission to the Management Staff within the near future. *(Included as Tab C.)*

Item 4: Reference is made to Tab B which includes a list of proposed procedures and problems currently under consideration by the Budget Staff and the status of each is reported below by appropriate paragraph reference.

1. A Budget Staff analyst is now engaged in making a detailed study of the problem for recommendation to the Budget Officer.
2. A tentative system covering this point has been developed and is now in use on a trial basis.
3. It is anticipated that the developed system should be ready for review by the Management Officer on 1 July.
4. This subject is covered under Item 3, "Miscellaneous".
5. This subject is covered under Item 4, "Recommendations and findings".
6. These are in the process of preparation.
7. A draft covering a filing system has been completed.
8. The annual revision of Chart of Allotment Accounts is now in process.
9. This matter has been under study for some time and it is our intention that essential points pertaining to possible improvements in the present system will be developed and appear as a part of the Call for Estimates to be released 15 April.

It is our opinion that the management survey was valuable in furnishing the Budget Staff an objective appraisal of its existing operations and providing a sound base for Budget-Management operations in matters of common concern. The Budget Staff also wishes to express its appreciation of the manner and spirit in which the Management Survey was conducted.

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Tab C

Responsibilities of the Budget Officer
and the Budget Staff

- A. The mission of the Budget Staff is to develop and justify to the Bureau of the Budget and the Congress adequate and accurate annual budget estimates; formulate and administer a program of budgetary execution to assure the prevalence of a balanced relationship between funds and activity requirements and accomplish an orderly and effective program of expenditure; procure through covert and semi-covert channels and procedures the annual appropriations made on behalf of CIA; establish fiscal policies and procedures and otherwise provide staff advice to the Agency on all related matters to insure the establishment and maintenance of appropriate controls and regulations with respect to accounting and audit matters; and coordinate the use of types of funds as well as other financial matters, Agency policy and procedure with other appropriate officials concerned with internal management problems.
- B. The functions of the Budget Staff which are performed under only very general administrative direction may be briefly recapitulated as follows:
1. Provides the mechanics and procedures for the formulation, preparation and execution of the Agency's annual budget.
 2. Plans and establishes in coordination with other officials financial and budget policy.
 3. Effects control of Agency funds under applicable budgetary provisions and the requirements of approved activities by the formulation and administration of a system of allotment accounts. In this connection is responsible for issuing advices of allotment authorization and complement notices to operating officials.

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4. Provides unusual and unprecedented procedures and liaison for the secure expenditure and accounting of funds including those which are not accountable to the General Accounting Office.

5. Determines and assists in the administration of the application and coordination of rules, regulations and Agency policies and procedures applicable to both vouchered and unvouchered foreign financial operations and transactions.

6. Establishes, coordinates and controls all liaison with other Government agencies concerning budget and fiscal matters of all types and conducts all liaison with the Bureau of the Budget.

7. Responsible for compilation and submission of designated and as required reports to the Bureau of the Budget, the Postmaster General and the Congress of the United States.

8. Compiles and presents informative and analytical statements, reports, graphs, charts, etc. to reflect the progress of budgetary execution and as required for Agency administrative requirements.

9. Develops standards to control the budgetary and financial systems of the Agency.

10. Plans, develops and effectuates unique procedures governing the disbursement, control and accounting for CIA funds with the Bureau of the Budget, Treasury Department and the Office of the Comptroller General of the United States in order to establish and maintain policies and procedures within the Agency with respect to the utilization of funds in accordance with Government laws, regulations and general policies to the extent permitted in supporting

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the mission of the Agency and the concept of the use of appropriated funds under the wide latitude provided in Agency legislation.

11. Directs the development of technical budgetary and accounting procedures governing both domestic and foreign financial activities and transactions for both vouchered and confidential funds and in connection therewith approves and insures the coordination of adequate instructions to Finance Officers, Certifying Officers and Agent Cashiers located both within and without the United States.

12. Continually reviews and analyzes budgetary and financial statements and effects or recommends appropriate action as required.

13. Reviews and recommends to the Director, CIA, special instructions and the establishment of policies concerning the accounting of special funds and coordinates in arriving at determinations as to action to be taken resulting from inspections and audits covering foreign financial transactions to insure compliance with Agency policies, regulations and procedures.

14. Reviews and makes determinations with respect to plans and procedures relating to foreign currency exchange and disbursement of foreign currency and the control of gains and losses incurred on monetary exchanges, devaluations, etc.

15. Initiates, directs and controls liaison concerning all financial policy and related procedural matters with operating officials for the purpose of establishing and maintaining uniform

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fiscal and budgetary policies and procedures in cooperation with the Coordination, Operations and Policy Staff and the Management Staff.

16. Assists the Coordination, Operations and Policy Staff and the Management Staff in liaison with appropriate Agency officials in the development and implementation of improved financial programs and activities for the efficient and economical administration of the Agency's mission on a world wide basis.

17. Otherwise plans and directs or executes fiscal or other related specialized programs of national and international significance requiring an exceptionally high degree of technical administrative and fiscal research and development.

18. Acts in a professional and consulting capacity in advising the Director and other Agency officials relative to budget and fiscal specialized work which has no precedent outside the Agency.

19. Conducts an analyst program throughout the Agency to continually provide assistance in the development of budget requirements and programs and to maintain appropriate financial control over operating activities.

20. Develops and coordinates budgetary and fiscal activities necessary in the conduct of NSC operations.

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